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MEDIUM-TERM PLAN, 1994-1999

Relative priorities within the medium-term plan, 1994-1999

UNIDO's future and reform in a changing world*

Report by the President of the tenth session the Board,
H. E. Mr. P. Balázs (Hungary)

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Introduction

1. In Industrial Development Board decision IDB.10/Dec.8 of 6 November 1992 the President of the Board was requested to conduct informal consultations to study the relative priorities within the medium-term plan activities, 1994-1999, bearing in mind the financial and technical capacity of UNIDO, and report to the Board at its eleventh session. The present document, submitted by H. E. Mr. P. Balázs, the President of the tenth session of the Board, is submitted in compliance with that request.

2. The informal consultations conducted by H. E. Mr. P. Balázs, President of the tenth session of the Board with the aim of discussing the relative priorities within the medium-term plan, 1994-1999 of UNIDO were held in three sessions - on 15 to 16 April, 10 May and 8 June 1993. The meetings were attended by a great number of interested Vienna-based delegations and brought remarkable activity.

3. During the series of consultations Member States expressed their wish and support that the aim of the present exercise was to reach an agreement during the next session of the General Conference to be held at Yaoundé, Cameroon, in December 1993, enabling the new Director-General to implement appropriate structural and staff reform within UNIDO. The present report is an attempt to summarize the oral contributions and written statements of the Member States and regional groups as well as various related UNIDO documents considered by the President (see annex).

I. PRIORITIES IN THE MEDIUM-TERM PLAN OF UNIDO

4. The present draft of the medium-term plan, 1994-1999, as examined during the eighth session of the Programme and Budget Committee and the tenth session of the Industrial Development Board, identifies the major challenges facing the Organization in terms of target problem areas and themes and serves as a set of guidelines for the activities of UNIDO. In keeping with General Conference resolution GC.4/Res.25, the structure adopted in the medium-term plan, 1992-1997, while accepting its rolling nature, has been maintained.

5. In the medium-term plan previous unchanged priorities are listed in a rather lengthy document. All the 286 points of the medium-term

* This document has not been formally edited.

plan are difficult to operationalize. These global objectives are considered as important in creating a framework for UNIDO's industrial development mandate, but they are not effective tools for focusing on UNIDO's day-to-day operation.

6. Although the medium-term plan is a plan in name, practically it does not bear the characteristics of political or economic programmes. It neither sets deadlines nor formulates financial ceilings in overall figures. During the consultations views have been expressed suggesting that the period of the medium-term plan might be reduced to two years and be adjusted to the programme and budget cycle of UNIDO. Member States of UNIDO have different views whether the major thrust of the plan should be maintained or some of its head items could be reexamined, regrouped and even renamed, or its major titles could be reduced to a small focused group of issues.

7. Fundamental changes of the world-wide economic and political environment are not reflected in the medium-term plan. In the last decade a strong tendency of differentiation has been taking place among developing countries. Their respective development levels are ranging between least developed countries and newly industrializing countries on a rather wide scale. Developing countries are facing various problems in the free market, several of them for giving up planned economies. The conflicts between East and West have subsided and the former Soviet Union and Eastern European countries are departing from centrally planned and moving to free market economies. New States have emerged in different parts of the world with specific endowments and needs of industrialization. Under such circumstances, the importance of assistance and cooperation from both developed countries and from United Nations organizations to developing countries is greatly increasing.

8. As defined in the Constitution of UNIDO, the primary objective of the Organization is the promotion of industrial development in the developing countries. Several delegations stressed the universal character reflected in Article 1, according to which UNIDO should also promote industrial development and cooperation on global, regional and national, as well as on sectoral levels. Others emphasized that considering the limited resources UNIDO should concentrate its efforts on the group of countries where foreign development assistance is mostly needed, i.e. the least developed countries.

9. One major implication deriving from the new international setting is that all countries not belonging to the groups of net donors or to the net recipients have interactions among them as well as with the two previous categories being donors and recipients at the same time, according to their respective development levels and needs. Several Member States emphasized that, consistent with the essential meaning of universality, all regions and countries shall have their needs considered, analysed and met by UNIDO within the capacity of the Organization. No possible beneficiary country can feel being excluded from the assistance channelled through UNIDO.

II. ROLE OF UNIDO IN THE INDUSTRIALIZATION PROCESS IN THE CHANGING ECONOMIC ENVIRONMENT OF THE WORLD

10. UNIDO is facing a twofold crisis - financial and technical. The financial crisis is mainly due to delayed payments of assessed contributions by Member States and a drop in income from operational activities. On the technical side, UNIDO's capacity to meet the needs of the developing countries is in danger of being eroded. The crisis UNIDO is facing should be considered in the perspective of the international economic environment.

11. As an essential part of the United Nations family, UNIDO is an intergovernmental organization where decisions of the policy-making organs are based on politically and economically motivated positions of the Member States. However, because of a certain information gap between the policy-making process of the Member States and the project-implementing activities of UNIDO, Governments may have difficulties to assess the services of the Organization. As a matter of fact, neither donor nor beneficiary countries have an overview - from the viewpoint of their national economies - on assistance channelled through UNIDO.

New chances of reforming UNIDO

12. UNIDO Member States are determined to face challenges of present reform initiatives of the Organization strengthened by some favourable conditions:

- Reform of the whole United Nations system in the economic field: General Assembly decisions concentrating on sustainable development;
- New specific demands for industrialization generated by the changing world economic environment;
- Definite and increasing need for the services of a United Nations organization in the field of industrial development;
- Fast differentiation of the developing countries and widening gap between highly and least industrialized countries;
- Election of the new Director-General of UNIDO who has undertaken far-reaching initiatives on structural reform of the Organization leading to changes at different management levels;
- Establishment of a Task force from the senior staff of the Organization with the purpose of studying the most crucial issues resulting in a group of recommendations for the Director-General.

Comparative advantages of UNIDO

13. Present and potential advantages of the Organization can attract both donors and beneficiaries interested in promotion of world-wide industrial cooperation.

14. Actual advantages of UNIDO are the following:

- UNIDO as a United Nations organization has a universal perspective and capacity to link global instruments with regional and country efforts;
- UNIDO, as all United Nations organizations, is neutral without specific political or economic interests being in the position to provide impartial assistance;
- One of the main assets of UNIDO is the substantive and specialized knowledge on industrial (sub-)sectors linking different target levels of UNIDO's action;
- UNIDO's activities are not motivated by profit considerations, which is a distinctive feature of the Organization compared with private enterprises;
- UNIDO has accumulated long-standing experience in the identification, design, management and guidance of industrial development activities.

15. The present general income and volume-driven approach should be replaced by a conceptual and demand-driven practice. In this case UNIDO can have the following additional advantages:

- Maintaining direct access to Governments, UNIDO has the potential to elaborate issues crucial for promoting sustainable industrial development;
- By implementing the principle of critical mass of intellectual capacity, UNIDO has the potential to become an international centre of excellence in selected areas which is able to provide its services expeditiously in contrast to other sources.

Target levels of UNIDO's interventions

A) Government level

16. At the policy and strategy level UNIDO shall not play a normative role outside of requested activities of an applied nature, e.g. quality management and environmental aspects of industry. Assistance should be focused on specific needs of countries and regions identified by the national Governments as well as on offers of UNIDO. For providing a sufficient package of services on this level it is essential to maintain and improve adequate communication systems with Governments, both in donor and beneficiary countries.

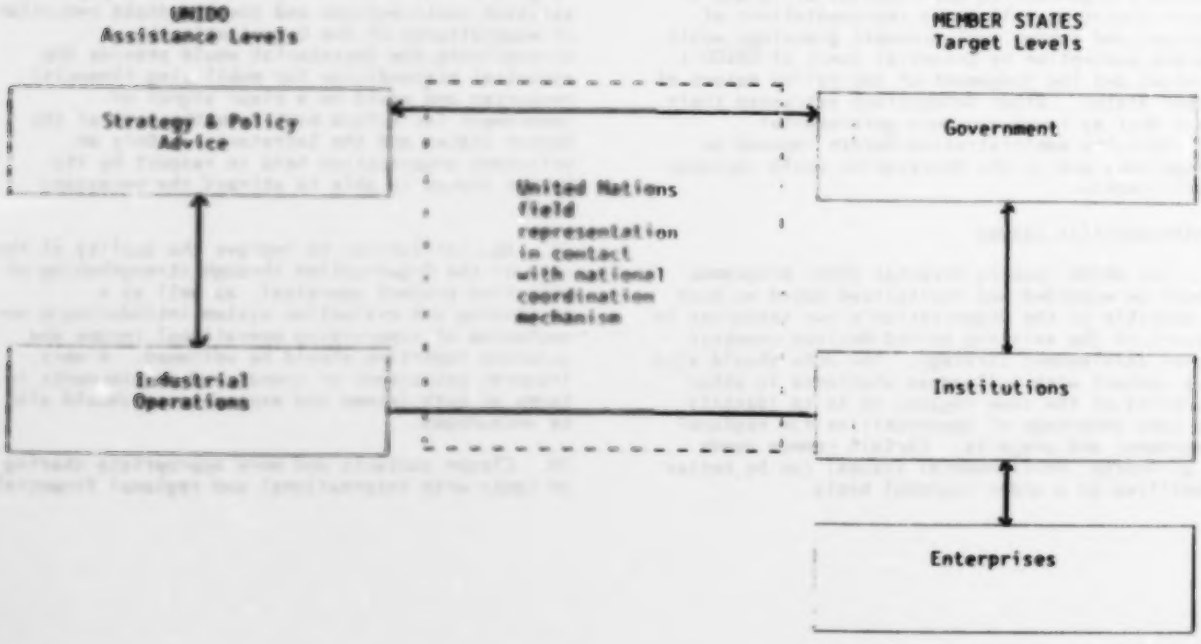
B) Institutional framework level

17. UNIDO's interventions should be addressed mainly to industrial associations and institutions, including governmental organizations. The channelling of UNIDO assistance through the institutional level should ensure free access and transparency of UNIDO assistance provided to enterprises. By having institutional channels, UNIDO assistance can play an increased multiplier effect best contributing to the establishment of national capacities in the economies of the beneficiary countries.

C) Enterprise level

18. Major beneficiaries of UNIDO's services are the enterprises with special emphasis on small- and medium-scale industries. This is the ultimate target level of UNIDO's development assistance operations. Enterprises should be approached in harmony with government industrial policies and contacted through and together with appropriate institutions ensuring widespread information as well as free access to UNIDO services and transparent decision making. Selection of beneficiaries should be based on clear-cut criteria and relevance.

19. The following diagram shows the possible distribution of UNIDO's intervention:



Country-specific aspects

20. The lack of a real appreciation of UNIDO's assistance is due to the inadequate perception by both potential users of its services and key policy makers of Member States. As a matter of fact, activities of the Organization are too dispersed in individual countries. For this reason UNIDO should put greater emphasis on making the Organization properly known in the Member States at governmental, institutional and enterprise levels.

21. When addressing country-specific issues UNIDO has to follow a broader country strategy agreed upon in the framework of the entire United Nations system. The three target levels should be brought into harmony inside the recipient countries by government initiatives utilizing the cross-fertilization effect. National interests and appropriate channelling of UNIDO assistance inside the Member States might be coordinated by government initiatives (e.g. UNIDO National Committee, etc.) involving representatives from the three target levels.

22. UNIDO field representation should actively participate in the identification of the needs of the target beneficiaries as a contribution to the project development cycle and to the analytical capabilities of the Organization and identifying external support to be provided by UNIDO to assist them in the development process.

23. The balance between various activities of UNIDO would vary considerably between countries at different stages of development. A joint UNIDO/government programme would be a useful framework to adapt UNIDO services to the concrete demands of the beneficiary countries. Such programmes could be presented in an appropriate manner for the information of Member States, both donors and recipients. Such a systematic programme approach increases the relevance and impact of UNIDO for national industrialization strategies.

24. Several delegations stated that regular debates on industrial development issues during sessions of UNIDO policy-making organs attended by competent high-ranking governmental officials of Member States as well as by representatives of regional and subregional economic groupings would improve perception by potential users of UNIDO's services and the judgement of key policy makers of Member States. Other delegations expressed their fears that by involving more governmental officials the administrative burden imposed on delegations and on the Secretariat would increase significantly.

Region-specific issues

25. The UNIDO Country Director (UCD) programme should be expanded and revitalized based as much as possible on the Organization's own resources in support of the existing United Nations country/region development strategy. The UCDs should also keep contact with colleagues stationed in other countries of the same region, so as to identify and take advantage of opportunities for regional programmes and projects. Certain common needs (e.g. energy, environmental issues) can be better identified on a wider regional basis.

Guidelines for establishing priorities

26. On the basis of its specific industry-related knowledge UNIDO should act as a clearing-house of experiences, playing a catalytic role. UNIDO should provide assistance on the following priority areas:

Substantive objectives:

- Strengthening of national capabilities and effectiveness especially in human resource development;
- Promotion of international competitiveness of industry;
- Effective international industrial cooperation in promotion of foreign investment and technology transfer as well as in regional and subregional cooperation;
- Development, rehabilitation and promotion of private sector with special emphasis on small- and medium- scale industries;
- Ecologically sustainable industrial development.

Programmatic instruments:

- Technical cooperation;
- Industrial investment and technology promotion;
- Industrial development policies and strategies, information services;
- Studies and research, examination and revaluation of the industrial aspects of global economic changes;
- Policy fora.

III. FINANCIAL AND HUMAN RESOURCES IN AND OUTSIDE OF UNIDO

27. The financial capacity of UNIDO depends largely on its credibility. The timely payment of assessed contributions and the immediate reduction of expenditures of the Organization by streamlining the Secretariat would provide the essential precondition for mobilizing financial resources and would be a clear signal of commitment for reform both from the side of the Member States and the Secretariat. Only an efficient organization held in respect by its Member States is able to attract the necessary funds.

28. New initiatives to improve the quality of the work of the Organization through strengthening of effective project appraisal, as well as a monitoring and evaluation system introducing a new mechanism of supervising operational income and accurate reporting should be welcomed. A more frequent assessment of trends and developments in terms of both income and expenditures should also be encouraged.

29. Closer contacts and more appropriate sharing of tasks with international and regional financial

institutions as well as with economic integration and regional groupings could widen the financial capacities of UNIDO. Overlapping of their respective activities should be avoided.

30. Increased efforts should be undertaken to make known to Member States the impacts on efficiency of UNIDO's activities resulting from the reform of the Organization. Higher effectiveness of the Organization and the improvement of the existing financial mobilization mechanism could lead to an increase of voluntary contributions and a greater reliance of Governments on UNIDO coordinated activities in their aid operations.

IV. PRACTICAL METHODS OF UNIDO'S OPERATION

31. The administrative burden UNIDO has to carry is imposed on it to a great extent by Member States. The decision-making procedure is too long and has less impact on the daily work of the Secretariat then intended. The Secretariat faces sometimes great difficulties in implementing decisions approved by the Industrial Development Board and Programme and Budget Committee of UNIDO.

32. The agenda of the policy-making organs is too crowded and provides very limited room for elaborating real technical issues. One possible way out of the present situation could be the reducing the frequency of elaboration of repetitive items and deleting items dealt with by other United Nations organizations. Substantial modification of the present agenda of the policy-making organs would require a careful examination and decision of Member States.

33. Some delegations suggested that, similarly to other United Nations organizations, beside or by replacing existing policy-making organs, an "Industrial Activity Committee" might be established. This technical body, by involving development assistance experts with industrial knowledge, could deal with practical industry-related questions. The costs of such a committee should be covered within the existing resources and its establishment should not increase administrative obligations of Member States and the Secretariat.

34. According to the views of several delegations the policy-making process of UNIDO should be narrowed to a reduced number of decisions closely connected to the basic mandate of the Organization. Political decisions should be well prepared in advance so that the gap between the plenary debate and decision making could be reduced. Other delegations announced their wish that issues closely related to international economic cooperation should remain the subject of the decision-making procedure of UNIDO.

35. An essential element of increasing the quality of work of UNIDO is the more active involvement of national governmental bodies dealing with the Organization and, if it is appropriate, the establishment or better functioning of a coordination mechanism between national Governments and UNIDO.

Annex

LIST OF ORAL AND WRITTEN STATEMENTS OF MEMBER STATES AND UNIDO DOCUMENTS CONSIDERED BY THE PRESIDENT

1. "A future UNIDO, A study on UNIDO's Comparative Advantages, Areas of Concentration, Organization and Resources", prepared by COWIconsult and Royal Danish Embassy and United Nations Mission, Vienna, November 1992.

2. Medium-term plan, 1994-1999 (IDB.10/5), to be approved by the fifth session of the General Conference, December 1993.

3. Priorities within the medium-term plan, 1994-1999. Report by the Chairman of the Programme and Budget Committee, H. E. Mr. G. E. Clark (United Kingdom of Great Britain and Northern Ireland) (IDB.10/29).

4. UNIDO's reform and the future of the Organization, Swiss position paper, 11 March 1993.

5. Programme and budgets, 1994-1995 - Proposals of the Director-General, 11 March 1993 (IDB.11/2).

6. Programme presented by the candidates for the post of Director-General of UNIDO with special regard to the proposals of Mr. Mauricio de Maria y Campos, elected Director-General, 19 March 1993.

7. Annual Report of UNIDO, 1992, 8 April 1993 (IDB.11/10).

8. UNIDO's future and reform in a changing world, discussion paper of France, 8 April 1993.

9. Non-paper of the Netherlands and Denmark circulated by the President of the Industrial Development Board for discussion, April 1993.

10. Statement of the Mexican delegation at the informal consultations on relative priorities of the medium-term plan, held on 15 and 16 April 1993.

11. Statement made by the Russian representative on 15 May 1993.

12. Statement of the representative of Poland, 16 April 1993.

13. Statements of Mr. Mauricio de Maria y Campos, Director-General, to the staff of UNIDO, 2 April 1993, and to the Programme and Budget Committee, 26 April 1993.

14. UNIDO priorities for the future, non-paper by India, 8 April 1993.

15. Future UNIDO - African perspectives, 29 April 1993.

16. Considerations on the restructuring and revitalization of UNIDO: GRULAC non-paper, 10 May 1993.

17. UNIDO reform, non-paper by Japan, 7 June 1993.

18. Relative priorities of the medium-term plan, 1994-1999, non-paper by Mexico, 8 June 1993.

19. Position paper of the Czech Republic on relative priorities of UNIDO, 8 June 1993.

20. General Assembly resolution 47/153, Industrial development cooperation.

21. General Assembly resolution 47/175, Impact of the recent evolution of the economies in transition on the growth of the world economy, in particular on the economic growth and development of the developing countries, as well as on international economic cooperation.

22. General Assembly resolution 47/187, Integration of the economies in transition into the world economy.